



CREATIVE SOLUTION TO A COMMON CHALLENGE:
Capital Planning and Financial Modeling



Guilford County, North Carolina

Using Collaboration and Forward-Thinking to Support 21st Century Learning



About Guilford County



Founded in 1771 and located in North Carolina's Piedmont region, Guilford County is home to 546,101 residents. With more than 10 municipalities, including Greensboro and High Point, Guilford County is the state's third most-populous county.

Five years ago, Guilford County leaders identified a significant need for K-12 school capital construction. Their approach to sound financial planning was underpinned by a collaboration between the County Board of Commissioners and the Board of Education. These two boards have forged a partnership that aligns both elected bodies, the community, financial experts, and financial regulators. The effort has resulted in a sustainable funding model that supports \$2 billion in voter-approved general obligation bond borrowing authority since 2020. Here is the story of how collaboration and innovation in financial planning can help other communities address large capital investment needs.

IDENTIFYING A MASSIVE NEED

North Carolina operates under a unique school finance system that demands partnership between elected boards. The state's system specifies that it is the state's responsibility to fund instructional expenses and provide a sound basic education to every student. County governments have statutory responsibility for funding capital expenses such as buildings and equipment and funding the maintenance of those assets. Those assets, though, are held and maintained by the school systems, which are governed by local and independent elected boards of education. Created nearly a century ago, this school finance system shaped today's structure, in which county governments hold the debt and raise the capital, but school



“We agreed on one of our core values—that our people matter. This means our residents and kids matter, and their learning environments matter. The vision of creating good learning environments for our kids united us and helped us build a collaborative bipartisan process to bring that vision to life.”

MICHAEL HALFORD, COUNTY MANAGER

systems use the funds as determined by their boards. In Guilford County, the state’s school finance system—and the county’s urgent need for facilities modernization—brought together the Guilford County Board of Commissioners and the Guilford County Board of Education.

Guilford County Schools serve more than 73,000 students from pre-K to grade 12. The district includes over 340 separate schools and other administrative buildings that together comprise over 12 million square feet of space. Many were outdated facilities in need of updating, so work began in 2016 with site visits to all schools—and the earliest of what would ultimately be more than 90 community meetings and presentations.

In 2018, the Board of Commissioners and Board of Education established a Joint School Capital Facilities Committee—with representatives from both boards—to review facility conditions and prepare a recommendation for future construction and renovation needs. The Joint Board of Education and Board of Commissioners

Facility Study (2018/2019) identified approximately \$1.5 billion in needs. The study ranked school and district buildings based on facility condition, technology infrastructure, and size and state of instructional and support areas, among other measures. Facilities for maintenance, transportation, and administration were also included in the assessments.

In a statement announcing the findings, then-Superintendent Sharon L. Contreras said, “21st-century learning requires new ways of designing and building schools and classrooms.” The findings estimated that the total cost of building new schools, completing repairs, eliminating deferred maintenance, and providing adequate funding for ongoing maintenance would cost more than \$6.9 billion over the next 30 years.

Ultimately, the study became the basis for the Board of Education’s \$2 billion School Facilities Master Plan (2019), which included items such as technology, safety, and security updates that fell outside the scope of the initial joint facility study.

FORGING A STRONG PARTNERSHIP

“Guilford County had not had a funding program at a substantial level for decades,” said Michael Halford, County Manager. “Now this study had identified a massive need. One of the biggest issues initially was helping people understand that the number was so large because the county is large, with many schools and students.”

Strong partnership between the two boards was essential to communicating the vision to the community. “We agreed on one of our core values—that our people matter. This means our residents and kids matter, and their learning environments matter,” Halford recalled. “The vision of creating good learning environments for our kids united us and helped us build a collaborative bipartisan process to bring that vision to life.”

Central to the work was addressing both the current and future capital needs and deferred maintenance of Guilford County. This came down to good enterprise risk management. As Halford noted, “There was no way we could take on a \$2 billion debt load and keep our ambulances running, for example. We wanted to design a stable funding model that fit existing revenue sources as much as possible, reduced the long-term overall cost of new infrastructure for residents, and protected other core county services.”

This vision and collaboration became a set of five core guidelines for this work, which Halford shared:

- Address current and future capital needs and deferred major maintenance in a timely manner to provide adequate public facilities and services.
- Protect the county’s ability to provide and enhance other services for residents.
- Design a stable funding model that fits existing revenue sources as much as possible.
- Reduce overall cost of infrastructure for residents by incorporating a more fiscally conservative “pay-as-you-go” model for construction, renovation, and maintenance.
- Limit change in property tax rate to provide predictability and stability for residents and businesses.

EARNING VOTERS' APPROVAL... TWICE

With a clear goal identified, the next step for the joint committee was to determine the priority order for projects. This process formed the basis for the master capital plan, which the Board of Education then used for the initial bond request made to county commissioners. With the financial pathway in development, the boards turned to communicating the plan to taxpayers. Halford emphasized that a shared vision and consistent communication from both boards helped them educate the community. "We focused on telling a common story in Guilford County. Hearing a consistent message helped to build trust," he said.

The boards and their representatives used traditional methods like public meetings and existing communications channels, but they also leaned into partnerships and new ideas. These included school visits and virtual walkthroughs to show citizens the current state of county schools—and drive home the opportunity to transform them.

In November 2020, Guilford County voters approved \$300 million of school bonds to fund several of the highest priority projects from the \$2 billion master plan. In April 2021, the Board of Commissioners approved the list of recommended school projects and established \$300 million of capital

project ordinances. The county has since issued \$120 million in general obligation bonds and expects to issue \$180 million in FY2024. Following the November 2020 approval, the boards continued to use traditional and digital outreach tools to communicate the state of county schools to the broader community. In May 2022, Guilford County voters approved \$1.7 billion of school bonds to fund the remainder of the \$2 billion master plan. The County asked voters to approve a .25% sales and use tax for this purpose, but that referendum failed to pass. The bonds are funded through increased property tax revenues generated from the county's 2022 reassessment of property values.

Kiser Middle School

Kiser Middle School will be rebuilt on the Grimsley/Kiser campus.

Estimated budget:
\$55,478,632



Before



Expected Completion: June 2024

Peck K-8 Expeditionary Learning

The Peck K-8 Expeditionary Learning school will be the first of its kind in Guilford County.

Estimated budget:
\$41,323,632



Before



Expected Completion: September 2024

Foust Gaming & Robotics School

The Foust Robotics and Gaming Magnet School is the first of its kind in Guilford County, and one of the first gaming and robotics elementary schools in the country.

Estimated budget:
\$41,323,632



Before



Expected Completion: August 2024

Kiser Middle School, Peck Elementary School and Foust Elementary School in Greensboro, NC, are among the facilities that are currently under construction as part of Guilford County Board of Education's \$2 billion School Facilities Master Plan.

In FY23, Guilford County passed a new budget that continued the prior budget year's dedicated pledge of property tax revenues and an initial set-aside of \$50 million to offset the necessary increased investment in school capital. Since then, the county has renewed its commitment in FY24 by maintaining the tax rate and setting aside another \$51 million for school capital. Over time, the county will use this funding to smooth out the peaks of three tranches of debt issuance totaling \$565 million each over the course of seven years. As debt repayment falls in the model's out years, cash will be used to reduce reliance on debt for future school capital needs.

MAKING A 'GENERATIONAL INVESTMENT' IN EDUCATION

At \$2 billion, the scope of the program was massive. In comparison, the FY24 Guilford County General Fund budget is \$840 million and the FY24 Guilford County Schools operating budget is approximately \$1 billion. "The financing program represents a generational investment in K-12 educational facilities in our community," Halford said.

Several years into the initiative and two years into the dedicated property tax, the county has authorized \$523 million in project ordinances and collaboratively planned for the remaining \$1.48 billion spending authorization, in addition to issuing the General Obligation bonds noted above.

Guilford County established and is maintaining a sound capital plan and financing model. This includes a stable

and consistent funding source for school capital projects, eliminating the uncertainty and budget challenges that come with ad hoc funding. The sustainable funding model also helps with better allocation of resources and improved infrastructure management. With several new or replacement schools scheduled to open in 2024, students will soon begin learning in upgraded, modern facilities that have enhanced the educational environment. Meanwhile, students across the county are already benefiting from improvements to safety and technology enhancements enabled by the bond funds.

A BLUEPRINT FOR OTHER COMMUNITIES

School infrastructure demands consistent investment and maintenance. Yet communities across the country face pervasive challenges in effectively financing and executing capital construction projects that truly meet evolving needs. It's why a comprehensive funding model and ongoing collaboration is so important. To be successful, a plan in the Guilford model must align stakeholders, balance financial considerations, and manage and monitor the costs of construction and ongoing maintenance. It's also essential to consider future demand: in Guilford, the plan and the deployment of the \$2 billion investment are designed to stagger future school repair and replacement needs.

As early as 2020, the project had gained recognition statewide for its substantial scale and unique financial

planning approach. In addition, as of 2022, Guilford County has earned a AAA rating from all three bond rating agencies. The Moody's rating specified that the rating "reflects the county's strong financial position, supported by proactive management and comprehensive fiscal planning, and manageable pension liabilities."

Organizations emulating Guilford's model should seek to invite collaboration—as in the joint committee model—and prioritize transparency and flexibility. Honesty also matters: the County Board had to acknowledge the underfunding in prior decades of school facilities—never an easy thing to do as elected officials, but essential in this situation. Guilford has shown that collaboration can transcend traditional governance boundaries and bring entities together in pursuit of a common goal that benefits an entire community.

GFOA BEST PRACTICES

Guilford County staff followed GFOA best practices on capital planning and infrastructure in building their sustainable funding model. This includes two best practices. *Capital Asset Management* recommends that local, state, and provincial governments establish a system for assessing capital assets and appropriately plan and budget for maintenance and replacement needs. *Strategies for Establishing Capital Asset Renewal and Replacement Reserve Policies* guides governments on adopting a written policy on capital reserves for renewal and replacement and emphasizes the benefits of flexibility that come with such reserves.

Guilford County's approach went beyond building classrooms and modernizing structures to find consensus between elected boards, and between community entities. Looking to the future, Halford noted that changing conditions like high inflation and economic headwinds can introduce new challenges. "We made a promise to residents, and we're committed to continuing to deliver on it. This takes constant monitoring of our plan and working with our school system partners on everything from cash flow to priority needs—today and tomorrow."

Visual and Performing Arts Elementary

Construction is underway on this magnet school in east Greensboro, which will be the first of its kind for Guilford County Schools.

Estimated budget:
\$33,505,256

